

**MIDVALE CITY CORPORATION
MIDVALE, UTAH**

**FINANCIAL STATEMENTS
For The Year Ended June 30, 2005**

Together With Independent Auditor's Report

MIDVALE CITY CORPORATION
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For The Year Ended June 30, 2005

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Jensen & Keddington, P.C.

Certified Public Accountants

Jeffrey B. Jensen, CPA
Gary K. Keddington, CPA
Brent E. Christensen, CPA
Jeffrey B. Hill, CPA**INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and
Members of City Council
Midvale City Corporation
Midvale, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Midvale City Corporation as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Midvale City Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Midvale City Corporation as of June 30, 2005, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, as noted on the table of contents, is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 23, 2005 on our consideration of Midvale City Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Midvale City Corporation basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying *Schedule of Expenditures of Federal Awards* is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining nonmajor fund financial statements and *Schedule of Expenditures of Federal Awards* have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

Jensen & Keddington

August 23, 2005

**MIDVALE CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2005**

Midvale City Corporation's management presents to the readers of its financial statements this narrative information. It contains an overview and analysis of the financial position and results of operations as of and for the twelve months ended June 30, 2005. As management of the City, we encourage readers to consider information contained in this discussion and the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities at the end of the current fiscal year by \$82 million. Of this amount, \$5.5 million is available to meet ongoing obligations to citizens and creditors.
- Net assets decreased by \$1 million for governmental activities, and increased by \$1.2 million for business-type activities. This is mostly due to the establishment of the Storm Water Utility Fund, and the transfer of the related infrastructure from the General Fund to the Storm Water Utility enterprise fund.
- Total long-term debt owed by the City is just over \$5.5 million. This is well below the City's legal debt capacity of approximately \$138 million. This debt limit is imposed by the State and is equal to 12% of taxable property in the City. In November 2004, the City entered into a lease/purchase agreement with SunTrust Leasing Corporation for the acquisition of police vehicles costing \$287,300. In January 2005, the City entered into a lease/purchase agreement with CalFirst Leasing Corporation for the acquisition of a storm drain cleaning truck costing \$200,000. And in May 2005, the City completed an advance refunding of its General Obligation Debt, producing a net present value savings of \$104,300. No other debt was issued during the year.
- The Fiscal Year 2005 General Fund Budget appropriated \$1,874,400 from prior year fund balance to meet budgeted expenditures. However, only \$521,000 was transferred from fund balance because actual revenues exceeded estimates and actual expenditures were less than budgeted.
- The City's General Fund unreserved fund balance on June 30, 2005 was \$2,501,800, which is equal to 17.6 percent of the Fiscal Year 2006 General Fund budget. Utah state law prohibits fund balances in excess of eighteen percent or less than five percent of budgeted revenue.
- The City established a Storm Water Utility Fund in order to provide for ongoing maintenance, operation, regulation, and improvement of the storm drain system. The source of revenue for this fund is service fees charged to users responsible for contributing runoff to the storm water system, or users who benefit from the Storm Water Utility of the City.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to Midvale City's basic financial statements. The City's financial statements comprise three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements that will help the reader gain a more in-depth understanding of the City.

MIDVALE CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the City, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or declining.

The *statement of activities* shows the changes to net assets that occurred during the most recent fiscal year. These changes were recorded on an accrual basis when the underlying event that causes the change occurs, regardless of when the cash transaction takes place. One example is the next debt interest payment when the fiscal year ends in between interest payments. The *statement of activities* shows additional interest expense (an accrual) for the time period between the last interest payment and the end of the fiscal year.

Both of these government-wide financial statements distinguish between activities that are largely supported by taxes and intergovernmental revenues (governmental activities) and those whose operations are entirely or largely financed by user charges and fees (business type activities). The governmental activities for Midvale City include general governmental (council, mayor, administration, court); public safety (police and fire); highways and public improvements; and parks and recreation. The business type activities include water, sewer, solid waste, storm water utility, and ambulance.

The Redevelopment Agency of Midvale City and the Municipal Building Authority are legally separate from the City, but for all practical purposes function as a part of the City and are therefore blended as an integral part of the primary government.

The government-wide financial statements are found as listed in the table of contents.

Fund Financial Statements

A fund is a set of closely related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. Midvale City, like other state and local governments uses fund accounting to demonstrate compliance with finance-related legal requirements. All of the City's funds can be categorized into one of two categories: governmental funds or proprietary funds.

Governmental funds account for essentially the same activities as the governmental activities in the government-wide financial statements, but with a narrower focus. Governmental funds concentrate on near-term inflows and outflows of financial resources and the balances of spendable resources available to the government at the end of the fiscal year. This information can be useful in evaluating the government's short-term financing requirements.

Comparing similar information presented in the government-wide statements for the governmental activities with that presented in governmental funds statements can provide useful information because of the different focus of the two approaches. With the long-term focus of the government-wide statements, a reader may be able to better understand the long-term effects of the near term financing decisions. To aid in the comparison, both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance show reconciliation between the governmental funds statements to the governmental activities in the government-wide statements.

Midvale City uses six different individual governmental funds. Of this number, information is shown separately for the General and Capital Projects Funds, both of which are deemed major funds. Information from the other four funds is presented in a single combined column. Individual presentations for these non-major funds are contained in combining information shown after the notes to the financial statements as listed in the table of contents. The City

MIDVALE CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

adopts an annual appropriated budget for all its governmental funds. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found as listed in the table of contents.

Proprietary funds include enterprise funds and internal service funds. Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Internal Service Funds may be used to report activities that provide goods or services to other funds or departments of the City.

The Enterprise Funds maintained by Midvale City include water/sewer, solid waste, storm water utility, and ambulance service. Midvale City uses an Internal Service Fund to account for its vehicle fleet activities. Because these services benefit both the governmental and business-type functions, they have been allocated to both governmental activities and business-type activities in the government-wide financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in the report.

Proprietary funds present the same information as in the government-wide statements, except in more detail. The fund statements for proprietary funds provide separate information for the Water/Sewer, Storm Water Utility, and Sanitation funds, which are considered to be major funds of Midvale City, and the Ambulance fund. The internal service fund is shown in one single column in the proprietary fund financial statements. The City also adopts annual appropriated budgets for all of its proprietary funds. As with the governmental funds, budgetary comparison statements are included to show compliance with these budgets.

The basic proprietary fund financial statements can be found as listed in the table of contents.

Notes to the financial statements contain additional information important to a complete understanding of the information contained in the government-wide and fund financial statements. Notes to the financial statements are located after the statements for major funds as listed in the table of contents.

OTHER INFORMATION

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found as listed in the table of contents.

MIDVALE CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This table shows a comparison between governmental and business-type activities for the current year and the prior year:

Midvale City Corporation's Net Assets

	Governmental Activities		Business-type Activities	
	2005	2004	2005	2004
Current and other assets	\$ 10,003,176	\$ 9,305,661	\$ 4,742,218	\$ 4,658,244
Capital assets	81,137,996	82,979,079	4,375,287	3,304,030
Total Assets	\$ 91,141,172	\$ 92,284,740	\$ 9,117,505	\$ 7,962,274
Current and other liabilities	\$ 4,263,717	\$ 4,792,349	\$ 300,205	\$ 265,252
Long term liabilities	4,811,920	4,415,678	290,346	337,017
Total Liabilities	9,075,637	9,208,027	590,551	602,269
Net assets:				
Invested in capital assets, net of related debt	76,318,699	78,472,170	4,038,270	2,933,914
Restricted	198,605	572,077	3,140,713	3,220,618
Unrestricted	5,548,231	4,032,466	1,347,971	1,205,473
Total Net Assets	82,065,535	83,076,713	8,526,954	7,360,005
Total Liabilities and Net Assets	\$ 91,141,172	\$ 92,284,740	\$ 9,117,505	\$ 7,962,274

By far the largest component of Midvale City's net assets is its investment in capital assets. Capital assets represent the City's investment in land and land improvements; curb, gutter, and sidewalk; roads and storm drains; water and sewer lines; streetlights and signals, bridges, buildings, and machinery and equipment. Midvale City uses these capital assets to provide services to citizens who live, work, pass through or benefit in other ways from the City. By their nature, these assets are not available for future spending. Further, even though these capital assets are reported net of any related debt, resources needed to repay the debt must come from other sources, as the assets themselves cannot be used to satisfy the related obligations.

A small portion - \$3.3 million - of net assets is subject to external restrictions on how they may be expended. The remaining \$6.9 million can be used to meet the City's ongoing obligations to its creditors and its citizens.

Business-type activities experienced a sixteen percent increase in total net assets. The increase totaled \$1.2 million, and net assets at the end of the year totaled \$8.5 million.

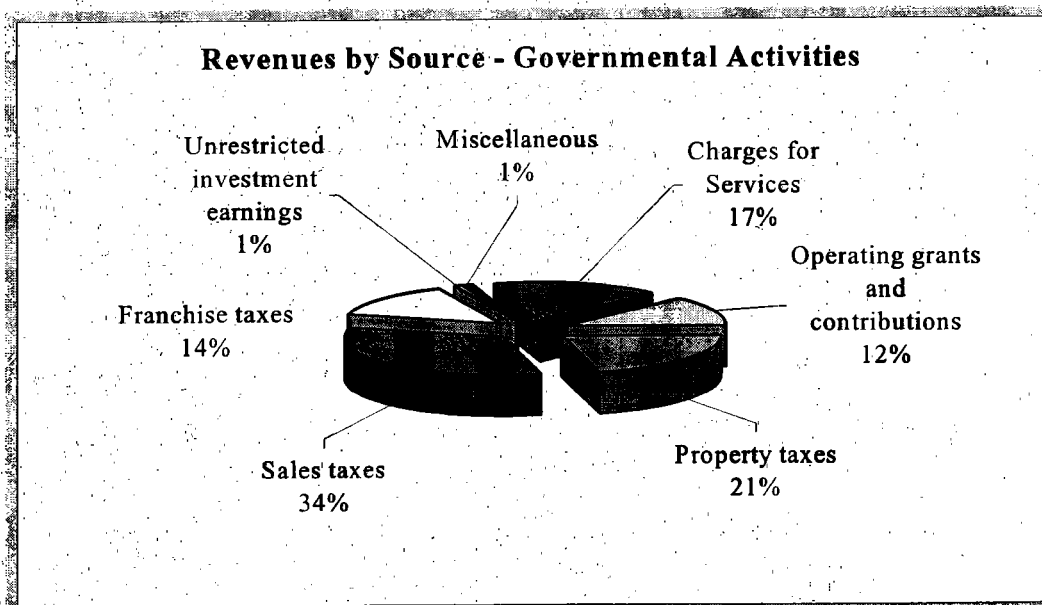
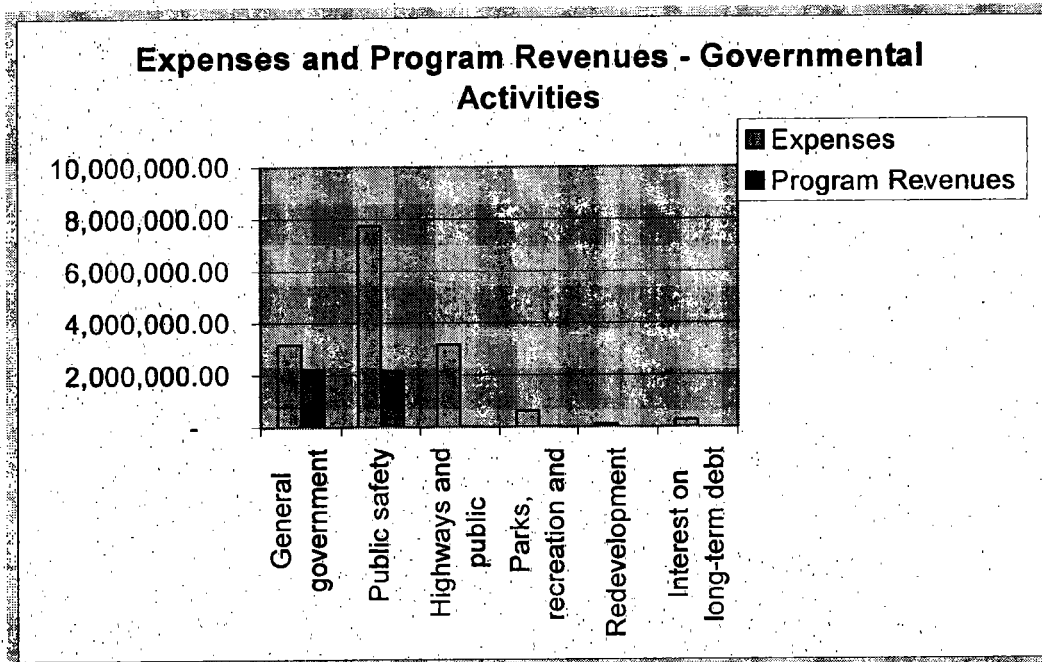
MIDVALE CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

Midvale City Corporation Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues:				
Program revenues:				
Charges for services	\$ 2,559,358	\$ 2,432,622	\$ 3,212,887	\$ 2,780,903
Operating grants and contributions	1,863,289	2,204,369	-	-
Capital grants and contributions	-	-	-	-
General revenues:				
Property taxes	3,146,878	2,712,552	-	-
Other taxes	7,077,414	6,366,248	-	-
Grants and contr. not restricted	-	-	-	-
Proceeds from bond issuance	-	-	-	-
Unrestricted investment earnings	120,527	75,006	22,292	13,834
Other	79,370	3,064	-	-
Equity investment income	-	-	(163,945)	(29,226)
Gain on sale of assets	64,813	91,839	-	-
Total revenues	<u>14,911,649</u>	<u>13,885,700</u>	<u>3,071,234</u>	<u>2,765,511</u>
Expenses:				
General government	3,172,565	2,984,714	-	-
Public safety	7,743,263	7,300,795	-	-
Public health	-	-	-	-
Highways and pub. improvements	3,174,100	2,630,252	-	-
Parks and recreation	615,193	657,192	-	-
Intergovernmental	121,222	34,512	-	-
Interest on long-term debt	278,750	245,735	-	-
Water and sewer	-	-	1,138,525	1,088,000
Storm Water	-	-	399,761	-
Electric	-	-	706,283	720,681
Pool	-	-	477,450	464,091
Total expenses	<u>15,105,093</u>	<u>13,853,200</u>	<u>2,722,019</u>	<u>2,272,772</u>
Increase (decrease) in net assets before transfers	(193,444)	32,500	349,215	492,739
Transfers	(817,734)	5,300	817,734	(5,300)
Increase in net assets	<u>(1,011,178)</u>	<u>37,800</u>	<u>1,166,949</u>	<u>487,439</u>
Net assets - beginning	83,076,713	83,038,913	7,360,005	7,793,101
Prior Period Adjustment	-	-	-	(920,535)
Net assets - ending	<u>\$ 82,065,535</u>	<u>\$ 83,076,713</u>	<u>\$ 8,526,954</u>	<u>\$ 7,360,005</u>

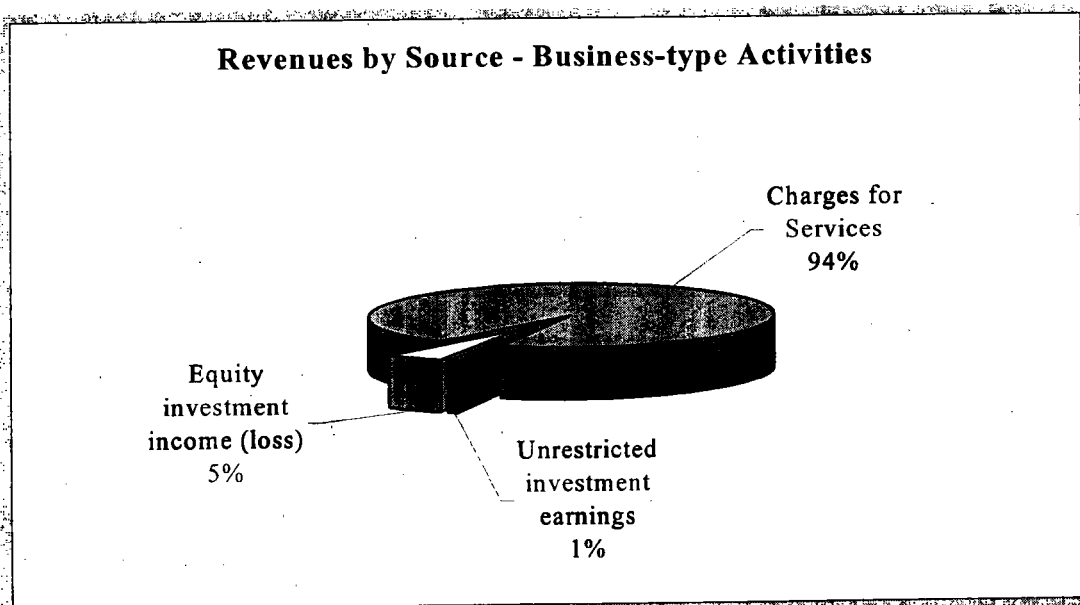
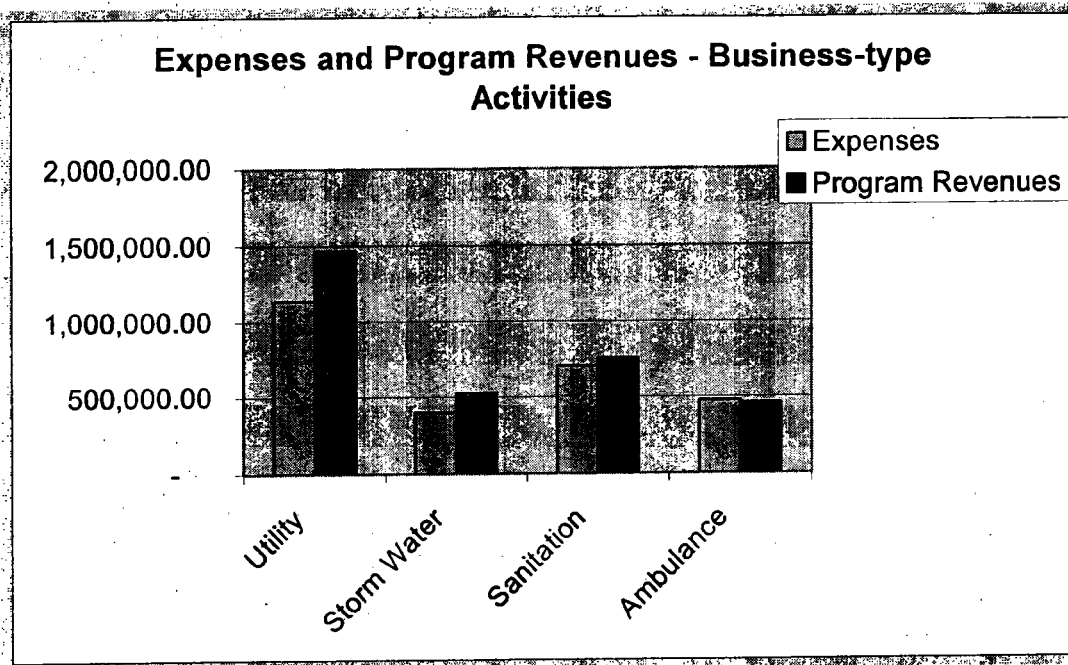
MIDVALE CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

Governmental Activities. The following graphs display the government-side activities for governmental activities reflected in the above tables. The program revenues on the graph below do not include general revenue such as property tax, sales tax, etc., as listed on the preceding page.



MIDVALE CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

Business-type Activities. The following graphs display the business-side activities for business-type activities reflected in the above tables.



MIDVALE CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

FINANCIAL ANALYSIS OF MIDVALE CITY'S FUNDS

Midvale City's governmental funds provide information on the short-term resource inflows and outflows and account balances at the end of the fiscal year. The total fund balance is a measure of total available resources and the unreserved portion of this total fund balance is a measure of the available spendable resources at June 30, 2005.

For the period ending June 30, 2005, the City's governmental funds reported a combined fund balance amount of \$4,386,518, an increase of \$550,613 from June 30, 2004. Of the total fund balance at year-end, \$4,187,913 is unreserved. Reserved fund balance consists of \$143,221 for various projects and \$55,384 for cemetery perpetual care.

The General Fund is the main operating fund for Midvale City Corporation. At June 30, 2005, unreserved fund balance was \$2,501,775, while total fund balance was \$2,581,158. A useful measure of liquidity is to compare the unreserved fund balance and the total fund balance to expenditures (including operating transfers out) for the year. Unreserved fund balance was 19.5 percent of total expenditures and transfers while total fund balance equaled 20 percent.

The fund balance of the General Fund decreased by \$521,041. Factors contributing to this decrease include the appropriation from prior year fund balance for certain current year expenditures. Because the City Council passed a property tax increase effective for fiscal year 2005, it was unnecessary to further deplete fund balance as current year revenues were sufficient to cover the remaining current year expenditures.

The Capital Projects Fund has a total fund balance of \$1,473,060 at June 30, 2005. The total fund balance has been appropriated to various capital projects. This fund balance increased by \$1,176,919, mostly due to projects that are scheduled for FY 2006 or later.

The Redevelopment Agency of Midvale City has a decrease in fund balance of \$106,879 as a full-time director was hired to administer development on the new project area (the super-fund sites). The preceding project area expired in 2003, so there was no tax increment revenue available in Fiscal Year 2005. The available fund balance in the Redevelopment Agency is \$275,865.

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the City's proprietary funds totaled \$757,739 for Water/Sewer, \$179,146 for Storm Water, \$256,314 for Sanitation, and \$88,516 for Ambulance.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original and final amended budgets amounted to a total increase in appropriations of \$841,861. This was primarily due to federal and state grants received throughout the year. As indicated above, actual general fund revenues exceeded budget by \$712,018, while actual general fund expenditures were \$690,402 below budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Midvale City's investment in capital assets, net of related debt is \$80,356,969 as of June 30, 2005. Types of assets included in this category are land, land improvements, buildings, machinery and equipment, park and other recreation facilities, roads (including curb and gutter, sidewalk, and storm drain), street lights, traffic signals, water and waste water distribution and collection systems, and bridges. The City's investment in capital assets equals eighty-nine percent of total net assets.

MIDVALE CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005

Midvale City Corporation's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities	
	2005	2004	2005	2004
Land and water rights	\$ 51,553,728	\$ 51,553,728	\$ 164,243	\$ 164,243
Infrastructure	17,977,652	19,882,078	1,063,558	-
Buildings	7,854,586	8,056,899	129,748	133,926
Improvements other than buildings	334,733	346,056	2,966,723	2,852,544
Machinery and equipment	3,287,297	3,140,318	51,015	153,317
Construction in progress	130,000	130,000	-	-
Total	<u>\$ 81,137,996</u>	<u>\$ 83,109,079</u>	<u>\$ 4,375,287</u>	<u>\$ 3,304,030</u>

Midvale City's debt consists of General Obligation Bonds (\$4,450,000 balance at June 30, 2005) which are scheduled to be paid off by September 15, 2019, a Municipal Building Authority Lease Revenue Bond (\$145,681 balance at June 30, 2005) which is scheduled to be paid off by May 15, 2009, and a lease/purchase agreement for fluoridation equipment (\$337,017 balance at June 30, 2005), scheduled to be paid off by September 2013. During the current fiscal year, the City entered into lease/purchase agreements for vehicles and equipment with balances at June 30, 2005 totaling \$362,602, due to be paid off in fiscal year 2008. The City completed an advanced refunding of its General Obligation bond debt, resulting in net present value savings to taxpayers of \$104,289. See Note 10 for additional information.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The fifteen percent property tax increase passed by the City Council in June 2004 provided sufficient revenues to fairly compensate city employees and provide services desired by the citizens. Additional property tax increases for fiscal year 2006 are unnecessary.

The sales tax picture continues to improve, with actual sales tax revenue exceeding estimates by \$386,894. Budgeted sales tax revenue for fiscal year 2006 is approximately \$400,000 higher than what was budgeted for fiscal year 2005.

The City signed agreements with the Environmental Protection Agency allowing development to proceed on two super-fund sites (Jordan Bluffs and Bingham Junction) on the west side of the City. The land on both sites (616 acres) is currently being prepared for use. While it may still be several years before sales tax revenue is generated, we anticipate mixed use development on both sites, with full build-out occurring by 2020, adding 5,000 – 7,000 to the City's population, and 200-500 businesses to our community.

Because the City recognizes the need to maintain water and sewer infrastructure, the City completed a culinary water and sewer rate analysis. The findings resulted in a six percent increase in the base rate and per/gallon rate charged for culinary water and an eleven percent increase in the base rate charged for sewer service, effective July 1, 2005. In order to encourage water conservation, rates charged for excess water used during the summer months (over 6,000 gallons per month) increased by fifteen percent to \$1.08 per 1,000 gallons used. New customers on the Jordan Bluffs and/or Bingham Junction sites will find base rates and per/gallon rates considerably higher than those stated above in order to fund needed infrastructure.

**MIDVALE CITY CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For The Year Ended June 30, 2005**

Rates for culinary water and sewer will continue to increase by five percent each year, subject to approval by the City Council; however, Midvale City's utility rates continue to be below the average for the Wasatch Front.

The City Council established a new enterprise fund for Storm Drain maintenance. Fiscal Year 2005 is the first year this operation has operated independently of the General Fund. Businesses and residences within the City are now assessed a monthly fee for storm drain operations. The fee is \$3.25 monthly per "Equivalent Residential Unit", or 3,000 square feet of impervious (uncovered) property. Revenue from this fee was \$529,062, over \$100,000 more than estimated. This will be used for operations and to help fund the capital needs of the storm drain system.

REQUESTS FOR INFORMATION

This financial report is designed to give its readers a general overview of the city of Midvale's finances. Questions regarding any information contained in this report or requests for additional information should be addressed to the Finance Director, 655 W. Center Street, Midvale, Utah 84047.

BASIC FINANCIAL STATEMENTS

MIDVALE CITY CORPORATION
STATEMENT OF NET ASSETS
June 30, 2005

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 5,069,572	\$ 963,880	\$ 6,033,452
Accounts receivable:			
Accounts receivable	120,459	571,369	691,828
Taxes receivable	3,940,144	-	3,940,144
Intergovernmental receivable	443,789	-	443,789
Loans receivable	44,190	-	44,190
Prepays	6,287	-	6,287
Internal balances	-	66,256	66,256
Restricted assets			
Cash and cash equivalents	198,605	-	198,605
Equity investment in joint ventures	-	3,140,713	3,140,713
Land held for resale	180,130	-	180,130
Capital assets not being depreciated			
Water stock	-	159,515	159,515
Land	51,553,728	4,728	51,558,456
Construction in progress	130,000	-	130,000
Capital assets, net of accumulated depreciation:			
Buildings	7,854,586	129,748	7,984,334
Improvements other than buildings	334,733	2,966,723	3,301,456
Equipment	3,287,297	51,015	3,338,312
Infrastructure	17,977,652	1,063,558	19,041,210
Total Assets	\$ 91,141,172	\$ 9,117,505	\$ 100,258,677

The accompanying notes are an integral part of the basic financial statements.

MIDVALE CITY CORPORATION
STATEMENT OF NET ASSETS (Continued)
June 30, 2005

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Liabilities:			
Accounts payable	\$ 575,888	\$ 149,936	\$ 725,824
Accrued liabilities	535,253	92,082	627,335
Accrued interest payable	67,314	5,266	72,580
Unearned revenue:			
Property taxes	2,690,586	-	2,690,586
Other	14,279	-	14,279
Customer deposits payable	-	6,250	6,250
Non current liabilities:			
Due within one year	380,397	46,671	427,068
Due in more than one year	4,811,920	290,346	5,102,266
Total Liabilities	<u>9,075,637</u>	<u>590,551</u>	<u>9,666,188</u>
Net Assets:			
Invested in capital assets, net of related debt	76,318,699	4,038,270	80,356,969
Restricted for:			
Future development	63,838	-	63,838
Cemetery perpetual care	55,384	-	55,384
Equity investment in joint ventures	-	3,140,713	3,140,713
Other purposes	79,383	-	79,383
Unrestricted	5,548,231	1,347,971	6,896,202
Total Net Assets	<u>82,065,535</u>	<u>8,526,954</u>	<u>90,592,489</u>
Total Liabilities and Net Assets	<u>\$ 91,141,172</u>	<u>\$ 9,117,505</u>	<u>\$ 100,258,677</u>

The accompanying notes are an integral part of the basic financial statements.

MIDVALE CITY CORPORATION
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenues & Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental Activities:						
General government	\$ 3,172,565	\$ 776,486	\$ 1,444,756	\$ -	\$ (951,323)	\$ -
Public safety	7,743,263	1,757,201	399,241	-	(5,586,821)	-
Highways and public improvements	3,174,100	12,110	18,454	-	(3,143,536)	-
Parks, recreation and public property	615,193	13,561	838	-	(600,794)	-
Redevelopment	121,222	-	-	-	(121,222)	-
Interest on long-term debt	278,750	-	-	-	(278,750)	-
Total Governmental Activities	15,105,093	2,559,358	1,863,289	-	(10,682,446)	-
Business-type Activities:						
Utility	1,138,525	1,465,929	-	-	-	327,404
Storm Water	399,761	529,062	-	-	-	129,301
Sanitation	706,283	756,524	-	-	-	50,241
Ambulance	477,450	461,372	-	-	-	(16,078)
Total Business-type Activities	2,722,019	3,212,887	-	-	-	490,868
Total Government	\$ 17,827,112	\$ 5,772,245	\$ 1,863,289	\$ -	(10,682,446)	(10,191,578)
General Revenues:						
Property taxes					3,146,878	3,146,878
Sales taxes					4,947,094	4,947,094
Franchise taxes					2,130,320	2,130,320
Unrestricted investment earnings					-	-
Equity investment income (loss)					22,292	142,819
Miscellaneous					(163,945)	(163,945)
Gain on sale of capital assets					79,370	79,370
Transfers - net					64,813	64,813
					(817,734)	817,734
Total General Revenues and Transfers					9,671,268	10,347,349
Change in Net Assets					(1,011,178)	155,771
Net Assets - Beginning					83,076,713	90,436,718
Net Assets - Ending					\$ 82,065,535	\$ 90,592,489

The accompanying notes are an integral part of the basic financial statements.

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MIDVALE CITY CORPORATION
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 1,767,309	\$ 1,849,867	\$ 157,245	\$ 3,774,421
Due from other funds	113,822	-	-	113,822
Receivables:				
Accounts receivable	120,390	-	-	120,390
Taxes	3,940,144	-	-	3,940,144
Intergovernmental	326,449	-	117,340	443,789
Loans	-	-	44,190	44,190
Prepays	6,218	-	69	6,287
Restricted assets:				
Cash and cash equivalents	79,383	-	-	79,383
Land held for resale	-	-	180,130	180,130
Total Assets	<u>\$ 6,353,715</u>	<u>\$ 1,849,867</u>	<u>\$ 498,974</u>	<u>\$ 8,702,556</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 171,324	\$ 376,807	\$ 5,514	\$ 553,645
Due to other funds	-	-	113,822	113,822
Accrued liabilities	896,368	-	3,148	899,516
Unearned revenue:				
Property taxes	2,690,586	-	-	2,690,586
Loans receivable	-	-	44,190	44,190
Other	14,279	-	-	14,279
Total Liabilities	<u>3,772,557</u>	<u>376,807</u>	<u>166,674</u>	<u>4,316,038</u>
Fund Balances:				
Reserved for:				
Future development	-	63,838	-	63,838
Projects	79,383	-	-	79,383
Cemetery perpetual care	-	-	55,384	55,384
Unreserved, reported in:				
General fund	2,501,775	-	-	2,501,775
Special revenue funds	-	-	275,865	275,865
Capital projects fund	-	1,409,222	1,051	1,410,273
Total Fund Balances	<u>2,581,158</u>	<u>1,473,060</u>	<u>332,300</u>	<u>4,386,518</u>
Total Liabilities and Fund Balances	<u>\$ 6,353,715</u>	<u>\$ 1,849,867</u>	<u>\$ 498,974</u>	<u>\$ 8,702,556</u>

The accompanying notes are an integral part of the basic financial statements.

MIDVALE CITY CORPORATION
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET ASSETS
June 30, 2005

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balances - total governmental funds	\$ 4,386,518
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is \$101,654,543 less the accumulated depreciation of \$20,516,547.	81,137,996
Interest on general obligation and lease revenue bonds are not accrued in governmental funds but rather is recognized as an expenditure when due.	(67,314)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(4,819,297)
Internal service funds are used by management to charge the costs of fleet maintenance to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Assets.	1,383,442
The Redevelopment Agency has deferred revenue for the loan receivables on the governmental funds balance sheet.	44,190
Net assets - governmental activities	<u><u>\$ 82,065,535</u></u>

The accompanying notes are an integral part of the basic financial statements.

MIDVALE CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 10,224,292	\$ -	\$ -	\$ 10,224,292
Licenses and permits	522,128	-	-	522,128
Intergovernmental	1,243,841	-	600,994	1,844,835
Charges for services	653,183	-	-	653,183
Fines and forfeitures	1,366,053	-	-	1,366,053
Lease revenues	-	-	42,300	42,300
Investment income	61,964	26,167	9,355	97,486
Miscellaneous	115,818	-	6,526	122,344
Total Revenues	14,187,279	26,167	659,175	14,872,621
Expenditures:				
General government	2,974,656	-	-	2,974,656
Public safety	7,778,767	-	-	7,778,767
Highways and public improvements	969,199	-	-	969,199
Parks, recreation, and public property	586,019	-	-	586,019
Redevelopment	-	-	121,222	121,222
Capital outlay	5,000	972,011	600,918	1,577,929
Debt service:				
Principal	190,000	-	31,243	221,243
Interest	225,299	-	11,057	236,356
Bond issuance costs	82,290	-	-	82,290
Total Expenditures	12,811,230	972,011	764,440	14,547,681
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,376,049	(945,844)	(105,265)	324,940
Other Financing Sources (Uses)				
Transfers in	180,000	2,122,763	-	2,302,763
Transfers out	(2,163,978)	-	-	(2,163,978)
Refunding bond issued	3,370,000	-	-	3,370,000
Premium on refunding bond	92,302	-	-	92,302
Payment to refunded bond escrow agent	(3,375,414)	-	-	(3,375,414)
Total Other Financing Sources (Uses)	(1,897,090)	2,122,763	-	225,673
Net Change in Fund Balances	(521,041)	1,176,919	(105,265)	550,613
Fund Balances - Beginning	3,102,199	296,141	437,565	3,835,905
Fund Balances - Ending	\$ 2,581,158	\$ 1,473,060	\$ 332,300	\$ 4,386,518

The accompanying notes are an integral part of the basic financial statements.

MIDVALE CITY CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2005

Amounts reported for governmental activities in the Statement of Activities are different because:

Net changes in fund balances - total governmental funds \$ 550,613

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$	749,396	
Net activity from disposal of assets		(1,112,869)	
Depreciation expense		<u>(1,744,599)</u>	
			(2,108,072)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

3,411,228

Proceeds from the issuance of noncurrent liabilities is recorded as income in the governmental funds. However, the issuance of noncurrent liabilities is recorded as a liability in the Statement of Net Assets.

(3,370,000)

Net amortization of deferred amounts on governmental fund's bonds are not recognized in the Statement of Revenue, Expenditures, and Changes in Fund Balance, while they are recognized as an adjustment to interest expense in the Statement of Activities.

(36,416)

Net deferred amounts from the issuance of governmental funds bond's are recognized in the Statement of Revenue, Expenditures, and Changes in Fund Balance, while they are not recognized in the Statement of Activities.

175,403

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

970

The net revenue (expense) of certain activities of internal service fund is reported with governmental activities.

371,622

The current year's activity on the RDA's loan receivables were accounted for as revenues and expenditures with the net effect changing deferred revenue.

(6,526)

Change in net assets of governmental activities

\$ (1,011,178)

The accompanying notes are an integral part of the basic financial statements.

MIDVALE CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – GENERAL FUND
For The Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 9,214,300	\$ 9,224,300	\$ 10,224,292	\$ 999,992
Licenses and permits	496,900	496,900	522,128	25,228
Intergovernmental	999,800	1,611,285	1,243,841	(367,444)
Charges for services	628,500	677,000	653,183	(23,817)
Fines and forfeitures	1,197,000	1,261,200	1,366,053	104,853
Investment income	31,000	31,000	61,964	30,964
Miscellaneous	65,900	173,576	115,818	(57,758)
Total Revenues	12,633,400	13,475,261	14,187,279	712,018
Expenditures:				
General government	2,793,900	3,231,837	2,979,656	252,181
Public safety	7,412,300	8,127,007	7,778,767	348,240
Highway and public improvements	1,007,900	1,017,900	969,199	48,701
Parks, recreation and public property	630,100	622,800	586,019	36,781
Debt service				
Principal	190,000	190,000	190,000	-
Bond issuance costs	-	86,888	82,290	4,598
Interest	225,200	225,200	225,299	(99)
Total Expenditures	12,259,400	13,501,632	12,811,230	690,402
Excess (Deficiency) of Revenues Over (Under) Expenditures	374,000	(26,371)	1,376,049	1,402,420
Other Financing Sources (Uses):				
Transfers in	1,080,300	2,054,446	180,000	(1,874,446)
Transfers out	(1,454,300)	(2,114,963)	(2,163,978)	(49,015)
Refunding bond issued	-	3,370,000	3,370,000	-
Premium on refunding bond	-	92,302	92,302	-
Payment to refunded bond escrow agent	-	(3,375,414)	(3,375,414)	-
Total Other Financing Sources (Uses)	(374,000)	26,371	(1,897,090)	(1,923,461)
Net Change in Fund Balances	-	-	(521,041)	(521,041)
Fund Balances - Beginning	3,102,199	3,102,199	3,102,199	-
Fund Balances - Ending	\$ 3,102,199	\$ 3,102,199	\$ 2,581,158	\$ (521,041)

The accompanying notes are an integral part of the basic financial statements.

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MIDVALE CITY CORPORATION
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2005

	Business-Type Activities - Enterprise Funds					Governmental Activities- Internal Service Fund
	Utility	Storm Water	Sanitation	Ambulance non-major fund	Totals	
Assets:						
Current assets:						
Cash and cash equivalents	\$ 739,347	\$ 113,580	\$ 154,329	\$ -	\$ 1,007,256	\$ 1,414,373
Accounts receivables	185,964	90,608	158,937	135,860	571,369	69
Total current assets	925,311	204,188	313,266	135,860	1,578,625	1,414,442
Noncurrent assets:						
Restricted assets:						
Investment in South Valley						
Water Reclamation	2,232,400	-	-	-	2,232,400	-
Investment in Trans-Jordan Cities						
Landfill	-	-	908,313	-	908,313	-
Capital assets						
Land	4,728	-	-	-	4,728	-
Water stock	159,515	-	-	-	159,515	-
Buildings, net	129,748	-	-	-	129,748	-
Improvements, net	2,966,723	-	-	-	2,966,723	-
Automobiles, net	-	-	-	-	-	1,749,537
Machinery and equipment, net	51,015	-	-	-	51,015	534,574
Infrastructure, net	-	1,063,558	-	-	1,063,558	-
Total noncurrent assets	5,544,129	1,063,558	908,313	-	7,516,000	2,284,111
Total Assets	\$ 6,469,440	\$ 1,267,746	\$ 1,221,579	\$ 135,860	\$ 9,094,625	\$ 3,698,553

The accompanying notes are an integral part of the basic financial statements.

MIDVALE CITY CORPORATION
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS (Continued)
June 30, 2005

	Business-Type Activities - Enterprise Funds					Governmental Activities- Internal Service Fund
	Utility	Storm Water	Sanitation	Ambulance non-major fund	Totals	
Liabilities:						
Current liabilities:						
Due to other funds	\$ -	-	\$ -	\$ 43,376	\$ 43,376	\$ -
Accounts payable	92,798	244	52,926	3,968	149,936	22,243
Salaries payable	12,882	4,942	2,052	-	19,876	-
Accrued liabilities	50,376	19,856	1,974	-	72,206	8,757
Accrued interest payable	5,266	-	-	-	5,266	-
Equipment lease payable	46,671	-	-	-	46,671	-
Total current liabilities	207,993	25,042	56,952	47,344	337,331	31,000
Noncurrent liabilities:						
Customer deposits payable	6,250	-	-	-	6,250	-
Contracts payable	-	-	-	-	-	-
Equipment lease payable	290,346	-	-	-	290,346	362,603
Total noncurrent liabilities	296,596	-	-	-	296,596	362,603
Total Liabilities	504,589	25,042	56,952	47,344	633,927	393,603
Net Assets:						
Invested in capital assets, net of related debt	2,974,712	1,063,558	-	-	4,038,270	1,921,508
Restricted for:						
Equity investment in joint ventures	2,232,400	-	908,313	-	3,140,713	-
Unrestricted	757,739	179,146	256,314	88,516	1,281,715	1,383,442
Total Net Assets	5,964,851	1,242,704	1,164,627	88,516	8,460,698	3,304,950
Total Liabilities and Net Assets	\$ 6,469,440	\$ 1,267,746	\$ 1,221,579	\$ 135,860		\$ 3,698,553
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds						66,256
Net Assets of Business-Type Activities						\$ 8,526,954

The accompanying notes are an integral part of the basic financial statements.

MIDVALE CITY CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
For The Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Fund
	Utility	Storm Water	Sanitation	Ambulance (non-major fund)	Totals
Operating Revenues:					
Charges for services	\$ -	\$ -	\$ -	\$ -	\$ -
Water sales	889,693	-	-	-	889,693
Sewer charges	499,088	-	-	-	499,088
Storm water charges	-	523,003	-	-	523,003
Sanitation charges	-	-	737,796	-	737,796
Transport charges	-	-	-	461,372	461,372
Other	77,148	6,059	18,728	-	101,935
Total Operating Revenues	1,465,929	529,062	756,524	461,372	3,212,887
Operating Expenses:					
Salaries and wages	361,273	162,408	45,331	-	569,012
Employee benefits	125,606	59,200	17,347	-	202,153
Administration	118,781	51,247	29,776	346,186	545,990
Supplies	177,953	31,394	-	68,264	277,611
Repairs and maintenance	124,822	46,200	-	63,000	234,022
Waste disposal	-	-	613,829	-	613,829
Depreciation	136,468	49,312	-	-	185,780
Water treatment	181,529	-	-	-	181,529
Total Operating Expenses	1,226,432	399,761	706,283	477,450	2,809,926
Operating Income	239,497	129,301	50,241	(16,078)	402,961
					1,054,341
					174,860

MIDVALE CITY CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS (Continued)
For The Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds					Governmental Activities- Internal Service Fund
	Utility	Storm Water	Sanitation	Ambulance (non-major fund)	Totals	
Nonoperating Revenues						
(Expenses):						
Investment earnings	\$ 17,000	\$ 534	\$ 3,744	\$ 1,014	\$ 22,292	\$ 23,041
Interest expense	(18,838)	-	-	-	(18,838)	-
Debt Service	-	-	-	-	-	(6,948)
Equity investment income						
(loss)	(209,117)	-	45,172	-	(163,945)	-
Gain (Loss) on disposal of fixed assets	-	-	-	-	-	64,813
Total Nonoperating Revenues (Expenses)	<u>(210,955)</u>	<u>534</u>	<u>48,916</u>	<u>1,014</u>	<u>(160,491)</u>	<u>80,906</u>
Income (Loss) Before Contributions and Transfers	28,542	129,835	99,157	(15,064)	242,470	255,766
Contributed Capital						
Transfers in	-	1,112,869	-	-	1,112,869	-
Transfers out	44,015	-	-	-	44,015	49,605
	<u>(47,105)</u>	<u>-</u>	<u>-</u>	<u>(185,300)</u>	<u>(232,405)</u>	<u>-</u>
Change in Net Assets	25,452	1,242,704	99,157	(200,364)	1,166,949	305,371
Total Net Assets - Beginning	5,939,399	-	1,065,470	288,880		2,999,579
Total Net Assets - Ending	<u>\$ 5,964,851</u>	<u>\$ 1,242,704</u>	<u>\$ 1,164,627</u>	<u>\$ 88,516</u>		<u>\$ 3,304,950</u>
Adjustment to reflect the consolidation of Internal Service Fund activities related to enterprise funds						
Changes in Net Assets of Business-Type Activities						
					<u>\$ 1,166,949</u>	

The accompanying notes are an integral part of the basic financial statements.

MIDVALE CITY CORPORATION
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
For The Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds					Governmental Activities- Internal Service Fund
	Utility	Storm Water	Sanitation	Ambulance (non-major fund)	Totals	
Cash Flows From Operating Activities:						
Receipts from customers	\$ 1,507,356	\$ 438,592	\$ 731,654	\$ 529,555	\$ 3,207,157	\$ 1,241,065
Payments to suppliers	(532,888)	(33,536)	(617,700)	(106,408)	(1,290,532)	(384,404)
Payments to interfund services	(65,100)	(95,200)	(29,400)	(374,300)	(564,000)	
Payments to employees	(477,182)	(196,810)	(64,123)	-	(738,115)	(144,296)
Net Cash Provided (Used) By Operating Activities	432,186	113,046	20,431	48,847	614,510	712,365
Cash Flows From Noncapital Financing Activity:						
Transfers from other funds	-	-	-	(185,300)	(185,300)	2,500
Net Cash Provided (Used) By Noncapital Financing Activities	-	-	-	(185,300)	(185,300)	2,500
Cash Flows From Capital and Related Financing Activities:						
Equity investment contributions	(84,041)	-	-	-	(84,041)	-
Purchases of capital assets	(147,257)	-	-	-	(147,257)	(662,589)
Proceeds from capital debt	-	-	-	-	-	487,348
Principal paid on capital debt	(33,099)	-	-	-	(33,099)	(124,745)
Interest paid on capital debt	(13,572)	-	-	-	(13,572)	(3,656)
Net Cash Provided (Used) By Capital and Related Financing Activities	(277,969)	-	-	-	(277,969)	(303,642)
Cash Flows From Investing Activities:						
Proceeds from sale of fixed assets	17,000	534	3,744	1,014	22,292	110,858
Interest received	17,000	534	3,744	1,014	22,292	23,041
Net Cash Provided (Used) By Investing Activities						133,899
Net Increase (Decrease) in Cash and Cash Equivalents	171,217	113,580	24,175	(135,439)	173,533	545,122
Cash and Cash Equivalents at Beginning of Year	568,130	-	130,154	135,439	833,723	869,251
Cash and Cash Equivalents at End of Year	\$ 739,347	\$ 113,580	\$ 154,329	\$ -	\$ 1,007,256	\$ 1,414,373

The accompanying notes are an integral part of the basic financial statements.

MIDVALE CITY CORPORATION
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (Continued)
For The Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds				Governmental Activities- Internal Service Fund
	Utility	Storm Water	Sanitation	Ambulance (non-major fund)	Totals
Reconciliation of Operating Income to Net Cash Provided (Used)					
By Operating Activities:					
Operating income (loss)	\$ 239,497	\$ 129,301	\$ 50,241	\$ (16,078)	\$ 402,961
					\$ 174,860
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	136,468	49,312	-	-	185,780
					\$ 526,661
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	41,427	(90,470)	(24,870)	24,807	(49,106)
(Increase) decrease in prepaids	(346)	(138)	(69)	-	(553)
Increase (decrease) in cash overdraft	-	-	-	43,376	43,376
Increase (decrease) in accounts payable	5,168	243	(3,426)	(3,258)	(1,273)
Increase (decrease) in accrued liabilities	9,697	24,798	(1,445)	-	33,050
Increase (decrease) in customer deposits payable	275	-	-	-	275
Net Cash Provided (Used) By Operating Activities	\$ 432,186	\$ 113,046	\$ 20,431	\$ 48,847	\$ 614,510
					\$ 712,365
Noncash financing activities					
Contribution of capital assets from General fund	\$ 44,015	\$ 1,112,870	\$ -	\$ -	\$ 1,156,885
Contribution of capital assets to Internal Service fund	(47,105)	-	-	-	-
					\$ 47,105

The accompanying notes are an integral part of the basic financial statements.

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MIDVALE CITY CORPORATION NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Midvale City Corporation (the City) operates under an elected mayor - council form of government and provides services as authorized by its charter.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used by the City are discussed below.

(A) The Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB 14 pronouncement. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, and the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the government's operations.

The Midvale City Redevelopment Agency and Municipal Building Authority, entities legally separate from the City, are governed by the members of the City Council. For financial reporting purposes, the Redevelopment Agency and Municipal Building Authority are reported as if they were part of the City's operations because their purpose is to finance and provide services to citizens of the City. The agencies are reported as special revenue funds.

(B) Government-Wide and Fund Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, parks and recreation, public works, and general administrative services are classified as governmental activities. The City's water, storm water, sewer, sanitation, and ambulance services are classified as business-type activities.

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

MIDVALE CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(B) Government-Wide and Fund Financial Statements (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those which are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the City.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

MIDVALE CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *Capital Projects Fund* accounts for the financial resources to be used for the acquisition or construction of the major capital facilities of the government (other than those financed by enterprise funds or non-expendable trust funds).

The City reports the following major proprietary funds:

The *Utility Fund* accounts for the activities of the City's water distribution system and sewer operations.

The *Storm Water Utility Fund* accounts for the activities of the City's storm water operations.

The *Sanitation Fund* accounts for the activities of the City's sanitation collection operations.

Additionally, the City reports the following fund types:

Special Revenue funds account for resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities. Accounting and financial reporting for general and special revenue funds are identical. The City accounts for the Midvale City Redevelopment Agency and the Municipal Building Authority in special revenue funds.

The Community Development Block Grant (CDBG) Fund accounts for the federal CDBG grant funds, which are to be used for general construction. This fund is accounted for as a capital projects fund.

The Cemetery Fund accounts for the provision of cemetery services at the City's cemetery. This fund is accounted for as a governmental fund.

The Internal Service Fund accounts for fleet management services provided to other departments or agencies of the government, on a cost reimbursement basis.

The Ambulance Fund (proprietary fund) accounts for the activities of the City's ambulance service operations.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various enterprise funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

MIDVALE CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utility enterprise fund, the Storm Water Utility enterprise fund, the Sanitation enterprise fund, the Ambulance enterprise fund, and of the City's Internal Service fund are charges to customers of the system. Operating expenses for enterprise funds and the internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(D) Budgetary Data

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements -

- (1) Prior to May 1, the City Recorder submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted in the City to obtain taxpayer comments.
- (3) Prior to June 22, the budget is formally adopted after a public hearing.
- (4) The City Administrator, acting as Budget Officer, has the budget authority to transfer budget appropriations between individual line items within any department of any budgetary fund.
- (5) The City Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.

Formal budgetary integration is employed as a management control device during the year for the general funds, special revenue funds, and capital project funds. In the General fund, budgets are adopted at the functional level and budgetary control is exercised at the departmental level. For special revenue funds, budgets are adopted and control is exercised at the level of total expenditures for each individual fund. For capital project funds, budgets are adopted and control is exercised at the project level.

Annual budgets for the General fund, all special revenue funds (Municipal Building Authority fund and Redevelopment Agency fund), and the capital projects fund (Capital Projects fund and CDBG fund) were legally adopted by the City and are prepared on the modified-accrual method of accounting.

Encumbrances (commitments related to unperformed purchase orders or contracts for goods or services) are used only as an internal management control device during the year. The City does not have any encumbrances outstanding at year end since appropriations lapse at year end. However, encumbered amounts are generally reappropriated and honored as part of the following year's budget.

Although Utah State law requires the initial preparation of budgets for all City funds (both governmental and proprietary), it only requires the reporting of actual versus such budgets for governmental funds.

MIDVALE CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(E) Tax Revenues

Property taxes are collected by the Salt Lake County Treasurer and remitted to the City in five or six installments in November, December, and January of each fiscal year and a final settlement by March 31st. Taxes are levied and are due and payable on November 1st and delinquent after November 30th of each year at which time they become liens if not paid. An accrual of delinquent current and prior year's property taxes beyond that which was received within 60 days after fiscal year end has not been made, as the amounts are not deemed to be material.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes received by the State for the period ended June 30th and thus due and payable to the City.

Franchise taxes are charged to various utility companies doing business with the City including telephone, cable television, gas utility, and electric utility companies. The fees are remitted on a monthly, quarterly, semi-annual, or annual basis. An accrual has been made for taxes due and payable to the City at June 30th.

(F) Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand.

Investments, in the form of accounts at the Utah Public Treasurer's Investments Trust (the State Treasurer's Pool), of the City are stated at cost, which approximates fair value.

(G) Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Ambulance fund accounts receivable is stated at billed charges less the estimated amount determined by the City's historical losses on insurance claims and the financial stability of its citizens.

Other receivables at June 30, 2005 consist of property tax, franchise tax, sales tax, grants and accounts (billings for user charged services, including unbilled utility services). Taxes, grants, and utility charges are deemed collectible in full.

Receivables not expected to be collected within the subsequent year include loans in the Redevelopment Agency nonmajor special revenue fund.

(H) Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

(I) Restricted Assets

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

(J) Investment in Joint Ventures

The investment in South Valley Water Reclamation Facility, a 6.78% owned joint venture, is accounted for by the equity method. Under this method, the Utility enterprise fund records its share of the joint venture's net income or loss for each period.

MIDVALE CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(J) Investment in Joint Ventures (Continued)

The investment in Trans-Jordan Cities Landfill, a 6.02% owned joint venture is accounted for by the equity method. Under this method, the Sanitation enterprise fund records its share of the joint venture's net income or loss for each period.

(K) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Infrastructure	15 to 50
Buildings	25 to 50
Machinery and equipment	5 to 30
Improvements other than buildings	10 to 50

(L) Compensated Absences

The amount for accumulated vacation leave and comp-time of governmental funds are recorded as a liability in the government-wide statement of net assets and the governmental fund financial statements. The corresponding expense and expenditures are reported in the government-wide statement of activities and the governmental fund financial statements, respectively. Accumulated vacation leave and comp-time of proprietary funds are recorded as an expense and a liability in those funds as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements. Employees may carry a maximum of 120 hours (156 hours for firefighters) of vacation leave forward to the next calendar year; the balance of unused vacation leave is forfeited. Unused vacation leave and comp-time is paid to the employee upon termination. Sick leave amounts are charged to expenditures when incurred. Employees may accumulate sick leave up to 240 hours annually. Employees may convert 25 percent of accrued sick leave in excess of 240 hours to vacation leave at the end of each calendar year, and upon effective date of retirement from the state retirement system.

MIDVALE CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(M) Long-Term Obligations

In the government-wide financial statements and proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(N) Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(O) Fund equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 CASH AND INVESTMENTS

The City maintains a cash and investment pool, which includes the cash account and one investment, which is available for use by all funds.

The City's deposit and investment policy is to follow the Utah Money Management Act. However, the City does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which the City is exposed.

Utah State law requires that City funds be deposited with a "qualified depository" as defined by the Utah Money Management Act. A "qualified depository" includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements as defined in Rule 11 of the Utah Money Management Act. Rule 11 establishes the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and defines capital requirements which an institution must maintain to be eligible to accept public funds.

The Utah Money Management Act also governs the scope of securities allowed as appropriate temporary investments for the City and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

The City invests in the Public Treasurer's Investment Fund (PTIF) which is a voluntary external Local Governmental Investment Pool managed by the Utah State Treasurer's Office and is audited by the Utah State Auditor. No separate report as an external investment pool has been issued for the PTIF. The PTIF is not registered with the SEC as an investment company and is not rated. The PTIF is authorized and regulated by the Utah Money Management Act, (Utah Code Title 51, Chapter 7). PTIF invests in high-

MIDVALE CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 CASH AND INVESTMENTS (Continued)

grade securities which are delivered to the custody of the Utah State Treasurer, assuring a perfected interest in the securities, and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. The maximum weighted average life of the portfolio does not exceed 90 days. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated to participants on the ratio of the participant's share to the total funds in the PTIF based on the participant's average daily balance. The PTIF allocates income and issues statements on a monthly basis. Twice a year, at June 30 and December 31, which are the accounting periods for public entities, the investments are valued at fair value and participants are informed of the fair value valuation factor. Additional information is available at the Utah State Treasures' Office.

As of June 30, 2005, the City had the following deposits and investments:

<u>Deposit and investment type</u>	<u>Cost</u>	<u>Fair Value</u>
Cash on deposit	\$ (71,840)	\$ (71,840)
State Treasurer's investment pool	6,303,897	6,304,868
	<u>\$ 6,232,057</u>	<u>\$ 6,233,028</u>

Interest rate risk. The City manages its exposure to declines in fair value by only investing in the Utah Public Treasurers Investment Fund.

Credit risk. As of June 30, 2005 the Utah Public Treasurer's Investment Fund was unrated. However, the City has determined that this investment has very little credit risk.

Concentration of credit risk. The City's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2005, \$197,419 of the \$297,419 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure if the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

MIDVALE CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 CASH AND INVESTMENTS (Continued)

Components of cash and investments (including interest earning deposits) at June 30, 2005, are as follows:

Cash on hand and on deposit:	
Cash on hand	\$ 2,250
Cash on deposit	(100,158)
Cash - Employee Flex Fund	26,068
Utah State Treasurer's investment pool account	6,303,897
	<hr/>
Total cash and investments	\$ 6,232,057
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Cash and investments are included in the accompanying combined statement of net assets as follows:

Cash and cash equivalents	\$ 6,033,452
Restricted cash and cash equivalents and investments	198,605
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Total cash and investments	\$ 6,232,057
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NOTE 3 LAND HELD FOR RESALE

Land acquired by the Redevelopment Agency (a special revenue fund) and held for resale is accounted for as land held for resale. The cost of land held for resale is capitalized until the land is sold. Land transferred from infrastructure assets of the City is recorded at a nominal amount for accountability purposes. If the Redevelopment Agency sells land at an amount greater than or less than the carrying amount, the resulting gain/loss is accounted for as an other financing source/use. Gains and losses on sale of land held for resale are recognized when measurable and available.

NOTE 4 LOANS RECEIVABLE

The City has made low cost building rehabilitation loans to businesses in downtown Midvale City. At June 30, 2005, the outstanding balance of the loans is \$44,190. The loans have been accounted for in the Redevelopment Agency (a special revenue fund). The terms of the loans are for ten years with interest rates ranging from 3% to 8%. All loans have scheduled payment amounts ranging from \$300 to \$604 per month, including interest. When possible, the loans are secured by the property being rehabilitated.

NOTE 5 INVESTMENTS IN AND ADVANCES TO JOINT VENTURES

South Valley Water Reclamation Facility

The Utility fund has a 6.78% ownership in the South Valley Water Reclamation Facility (SVWRF) which is accounted for by the equity method. SVWRF, a separate legal entity and political subdivision of the State of Utah, was formed pursuant to the provisions of the Interlocal Cooperation Act. SVWRF's membership is comprised of two municipalities and three suburban sanitary improvement districts. In addition to the City, the members consist of West Jordan City, South Valley Sewer District, Sandy Suburban Improvement District and Midvalley Improvement District which have ownership interests of 28.22%, 34.72%, 20.17%, and 10.11%, respectively. SVWRF was formed to construct, operate and maintain a regional sewage treatment facility.

MIDVALE CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 INVESTMENTS IN AND ADVANCES TO JOINT VENTURES (Continued)

South Valley Water Reclamation Facility (Continued)

SVWRF is governed by its board of directors. Under the organization agreement, each of the five members is entitled to appoint one of SVWRF's five directors. The management is under the Board of Directors, which elects officers and appoints the management staff. During the year ended June 30, 2005, the City contributed capital of \$192,930 to the facility and recorded a \$209,117 loss on joint venture.

The complete financial statements for South Valley Water Reclamation Facility for the year ended December 31, 2004 can be obtained from the South Valley Water Reclamation Facility at 7495 South 1300 West, West Jordan, Utah 84084.

Trans-Jordan Cities Landfill

The Utility fund has a 6.02% ownership in the Trans-Jordan Cities Landfill which is accounted for by the equity method. In addition to Midvale City, the Trans-Jordan Cities Landfill is owned by the cities of Murray, Sandy, South Jordan, West Jordan, Draper, and Riverton which own 9.72%, 34.27%, 9.53%, 26.45%, 6.62% and 7.39% of the landfill, respectively. Trans-Jordan Cities Landfill is a separate legal entity and political subdivision of the State of Utah and was formed pursuant to the provisions of the Interlocal Cooperation Act. The City has no firm commitment to make additional equity investments in the Trans-Jordan Cities Landfill.

Trans-Jordan Cities Landfill was formed to construct, operate and maintain a refuse dumping facility. Trans-Jordan is governed by its Board of Directors. Under the organization agreement, the board of directors is appointed by the members. The management is under the board of directors, which elects officers and appoints the management staff. During the year ended June 30, 2005, the City contributed capital of \$0, recorded a \$45,172 gain on joint venture, and increased its participating interest by the same amount, resulting in a net increase in its investment of the facility to \$908,313.

The complete financial statements for Trans-Jordan Cities Landfill for the year ended June 30, 2005 can be obtained from the Trans-Jordan Landfill offices, 10873 S. 7200 W., South Jordan, Utah 84095.

NOTE 6 INTERLOCAL AGREEMENTS

Valley Emergency Communications Center

The City is a member of Valley Emergency Communications Center (the Center). The Center was organized June 30, 1988, as a joint enterprise between the City, Murray City, Salt Lake County, Sandy City, South Jordan City, West Jordan City and West Valley City. The primary purpose of the Center is to fund and operate a communications center which handles communications and other services for the members, including police, fire, 911 service, dispatch and records services.

The Center is governed by a Board of Trustees consisting of one representative from each member appointed by the governing body thereof. The Center's activities are funded by a surcharge tax on telephones within each member's city and member assessments. The Board of Trustees sets assessments for all member agencies in amounts sufficient to provide the funds required by the annual budget. The Center determines the 911 assessments for the telephone users within the members' jurisdictions.

Separate audited financial statements for Valley Emergency Communications Center may be obtained from the Finance Director at 5360 South 5885 West, West Valley City, UT 84118.

MIDVALE CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 INTERLOCAL AGREEMENTS (Continued)

Utah Telecommunications Open Infrastructure Network

The City is one of 11 founding members of the Utah Telecommunications Open Infrastructure Network (UTOPIA), an interlocal cooperative agreement organized under the laws of the State of Utah. UTOPIA was created to design, finance, build, operate, and maintain an open, wholesale, public and Telecommunication infrastructure that delivers high-speed connections to every home and business in the member communities. UTOPIA is jointly owned by the members. No equity investment has been recorded by the City since, as of June 30, 2005, UTOPIA had a net assets deficit of \$8,070,209. UTOPIA began providing limited services during the year, but it is still in a start-up phase.

The City is a pledging member who has pledged sales and use tax revenues to partially guarantee payment of UTOPIA's bonds. In return for the pledge, the City will be among the first cities to receive UTOPIA's services. In July 2004 UTOPIA issued an \$85,000,000 revenue bond. The first four years of bond payments will be made from a debt reserve fund. From that point on, until the bonds are due in July 2026, net revenues from UTOPIA will reimburse the debt service for payments on the bond debt. To the extent that there are insufficient net revenues to pay the debt service, the 11 pledged members are required to reimburse the UTOPIA debt service fund of any shortfall by their respective percentages up to a specific dollar amount. The City's percentage of the Debt Service Reserve shortfall is 7.66% with a yearly liability limit set at a maximum of \$608,337. Any bonds or debt issued or incurred by UTOPIA will not constitute debt of the City.

On July 1, 2007, the City will be required to deposit \$608,337 into the UTOPIA Series 2004 Bond Debt Service Reserve Fund. These funds will remain on deposit until the sooner of the bonds being retired or 20 years from July 1, 2007. The City will be required to deposit additional funds if additional bonds are issued. To the extent that the initial projects operate profitably, UTOPIA has plans on issuing a total of \$340,000,000 in bonds.

MIDVALE CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 51,553,728	\$ -	\$ -	\$ 51,553,728
Work in progress	130,000	-	-	130,000
Total capital assets not being depreciated	51,683,728	-	-	51,683,728
Capital assets being depreciated:				
Buildings	9,608,540	-	-	9,608,540
Improvements other than buildings	489,708	5,000	-	494,708
Machinery and equipment	6,379,213	877,242	(430,425)	6,826,030
Infrastructure	34,183,533	576,847	(1,718,843)	33,041,537
Total capital assets being depreciated	50,660,994	1,459,089	(2,149,268)	49,970,815
Less accumulated depreciation for:				
Buildings	(1,551,641)	(202,313)	-	(1,753,954)
Improvements other than buildings	(143,652)	(16,323)	-	(159,975)
Machinery and equipment	(3,238,895)	(684,220)	384,382	(3,538,733)
Infrastructure	(14,301,455)	(1,368,404)	605,974	(15,063,885)
Total accumulated depreciation	(19,235,643)	(2,271,260)	990,356	(20,516,547)
Total capital assets, being depreciated, net	31,425,351	(812,171)	(1,158,912)	29,454,268
Governmental activities capital assets, net	<u>\$ 83,109,079</u>	<u>\$ (812,171)</u>	<u>\$ (1,158,912)</u>	<u>\$ 81,137,996</u>

MIDVALE CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 CAPITAL ASSETS (Continued)

The business-type activities property, plant and equipment consist of the following at June 30, 2005:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 4,728	\$ -	\$ -	\$ 4,728
Water Stock	159,515	-	-	159,515
Total capital assets not being depreciated	164,243	-	-	164,243
Capital assets being depreciated:				
Buildings	160,637	-	-	160,637
Improvements other than buildings	5,712,539	238,922	-	5,951,461
Machinery and equipment	252,257	-	(132,649)	119,608
Infrastructure	-	1,702,650	-	1,702,650
Total capital assets being depreciated	6,125,433	1,941,572	(132,649)	7,934,356
Less accumulated depreciation for:				
Buildings	(26,711)	(4,178)	-	(30,889)
Improvements other than buildings	(2,859,995)	(124,743)	-	(2,984,738)
Machinery and equipment	(98,940)	(8,738)	39,085	(68,593)
Infrastructure	-	(639,093)	-	(639,093)
Total accumulated depreciation	(2,985,646)	(776,752)	39,085	(3,723,313)
Total capital assets, being depreciated, net	3,139,787	1,164,820	(93,564)	4,211,043
Business-type activities capital assets, net	<u>\$ 3,304,030</u>	<u>\$ 1,164,820</u>	<u>\$ (93,564)</u>	<u>\$ 4,375,286</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 88,485
Public safety	593,612
Highways and public improvements	1,543,659
Parks and recreation	45,504
Capital assets held by the City's internal service fund are charged to the various functions based on their usage of the assets	
Total depreciation expense - governmental activities	<u>\$ 2,271,260</u>
Business-type activities:	
Utility	\$ 136,468
Storm Water	49,312
Sanitation	-
Ambulance	-
Total depreciation expense - business-type activities	<u>\$ 185,780</u>

MIDVALE CITY CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 UNEARNED REVENUE

In conjunction with GASB pronouncement 33 "Accounting and Financial Reporting for Nonexchange Transactions" the City has accrued a property tax receivable and a deferred property tax receivable in the General Fund in the amount of \$2,690,586. Property taxes recorded in the governmental funds are recorded using the modified accrual basis of accounting, wherein revenues are recognized when they are both measurable and available (expected to be received within 60 days). Property taxes attach as an enforceable lien on property as of the first day of January. Taxes are levied on October 1 and then are due and payable at November 30. Since the property tax levied on October 1, 2005 was not expected to be received within 60 days after the year ended June 30, 2005, the City was required to record a receivable and a deferred revenue of the estimated amount of the total property tax to be levied on October 1, 2005.

Cash seized during law enforcement action, less the City's related expenditures, becomes property of the State when the case is adjudicated. There are restrictions on how these funds can be expended. The City recognizes the revenue corresponding to the City's expenditures when the case is fully adjudicated. At June 30, 2005 the City held \$48,999.

NOTE 9 CUSTOMER DEPOSITS

Customer deposits are principally deposits from customers that are held by the City for water service until such time for refund is warranted.

NOTE 10 LONG-TERM OBLIGATIONS

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and are pledged by the full faith and credit of the City. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year. The City also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds have been issued for governmental activities. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year. Bonds currently outstanding are as follows:

	June 30, 2004	Additions	Retirements	June 30, 2005	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds 1999	\$ 4,460,000	\$ -	\$ (3,380,000)	\$ 1,080,000	\$ 195,000
General obligation bonds 2005	-	3,370,000	-	3,370,000	35,000
Revenue bonds	176,909	-	(31,228)	145,681	33,178
Deferred amounts:					
Plus: unamortized premiums	-	92,302	(6,153)	86,149	
Less: debt issuance costs	-	(267,704)	42,569	(225,135)	
Total bonds payable	4,636,909	3,194,598	(3,374,812)	4,456,695	263,178
Capital leases					
Police vehicles	-	287,348	(73,898)	213,450	69,092
Storm Water Utility equipment	-	199,990	(50,838)	149,152	48,127
Total capital leases	-	487,338	(124,736)	362,602	117,219
Other liabilities					
Compensated absences	302,306	70,714	-	373,020	-
Total other liabilities	302,306	70,714	-	373,020	-
Governmental activities long-term liabilities	\$ 4,636,909	\$ 3,681,936	\$ (3,499,548)	\$ 5,192,317	\$ 380,397

MIDVALE CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 LONG-TERM OBLIGATIONS (Continued)

	June 30, 2004	Additions	Retirements	June 30, 2005	Due Within One Year
Business-type activities:					
Capital leases					
Fluoridation equipment	\$ 370,116	\$ -	\$ (33,099)	\$ 337,017	\$ 46,671
Total capital leases	370,116	-	(33,099)	337,017	46,671
Business-type activities long-term liabilities	<u>\$ 370,116</u>	<u>\$ -</u>	<u>\$ (33,099)</u>	<u>\$ 337,017</u>	<u>\$ 46,671</u>

Governmental Activities:

General Obligation Bonds

\$5,000,000 1999 Public Safety Bonds, principal due in annual installments and interest due in semi-annual installments ranging in total from \$410,753 to \$415,120 starting September 15, 2000 through September 15, 2019, including interest at 4.55% to 5.50%. The principal and interest payments are paid by General Fund revenues.

\$ 1,080,000

\$3,370,000 2005 General Obligation Refunding Bonds, principal due in annual installments and interest due in semi-annual installments ranging in total from \$157,217 to \$404,778 starting September 15, 2005 through September 15, 2019 including interest at 3.00% to 5.00%. The principal and interest payments are paid by General Fund revenues.

3,370,000

Capital Leases

\$287,348 Police Vehicle Lease, lease payments of \$75,387 due annually with an interest rate of 2.91% through January 2008. The principal and interest payment are paid by the Fleet Fund.

213,450

\$199,990 Storm Drain Cleaning Unit, lease payments of \$53,007 due annually with an interest rate of 3.27% through June 2008. The principal and interest payment are paid by the Fleet Fund.

149,152

Revenue Bonds

\$260,000 2001 Municipal Building Authority Lease Revenue Bonds, principal and interest due in annual installments for a total of \$42,285 starting May 15, 2002 through May 15, 2009, including interest at 6.25%. The Municipal Building Authority (MBA) built an animal shelter with the bond proceeds and the City is leasing for the amount of the bond payments.

145,681

Other Liabilities

Total of accumulated unpaid compensated absences in governmental funds.

373,020

Total bonds payable - government activities

\$ 5,331,303

MIDVALE CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 LONG-TERM OBLIGATIONS (Continued)

Capital Leases

\$380,000 Fluoridation Equipment Lease, lease payments of \$23,335 due semi-annually with an interest rate of 3.75% through September 2013. The principal and interest payment are paid by the Water Fund.

\$ 337,017

Total obligations under capital leases - business-type activities

\$ 337,017

The annual debt service requirements for all bonds outstanding as of June 30, 2005 are as follows:

Year Ending June 30,	Governmental Activities		
	General Obligation Bonds	Public Safety Bonds Series 1999	
	Principal	Interest	Total
2006	\$ 195,000	\$ 47,616	\$ 242,616
2007	205,000	38,214	243,214
2008	215,000	28,185	243,185
2009	225,000	17,513	242,513
2010	240,000	6,000	246,000
	<u>\$ 1,080,000</u>	<u>\$ 137,528</u>	<u>\$ 1,217,528</u>

Year Ending June 30,	Governmental Activities		
	Municipal Building Authority Lease	Revenue Bonds Series 2001	
	Principal	Interest	Total
2006	\$ 33,178	\$ 9,105	\$ 42,283
2007	35,252	7,032	42,284
2008	37,455	4,828	42,283
2009	39,796	2,487	42,283
	<u>\$ 145,681</u>	<u>\$ 23,452</u>	<u>\$ 169,133</u>

Year Ending June 30,	Governmental Activities		
	General Obligation Bond	Public Safety Bonds Series 2005	
	Principal	Interest	Total
2006	\$ 35,000	\$ 122,217	\$ 157,217
2007	20,000	140,275	160,275
2008	20,000	139,625	159,625
2009	20,000	138,925	158,925
2010	20,000	138,225	158,225
2011-2015	1,455,000	562,345	2,017,345
2016-2020	1,800,000	213,518	2,013,518
	<u>\$ 3,370,000</u>	<u>\$ 1,455,130</u>	<u>\$ 4,825,130</u>

MIDVALE CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 LONG-TERM OBLIGATIONS (Continued)

The following is a schedule by years of the future minimum lease payments under a capital lease together with the present value of the net minimum lease payments as of June 30, 2004:

Year Ending June 30,	Governmental Activities Police Vehicle Lease Total
2006	\$ 75,387
2007	75,387
2008	75,388
Total minimum lease payments	226,162
Less: amount representing interest	(12,712)
Present value of net minimum lease payments	<u>\$ 213,450</u>

Year Ending June 30,	Governmental Activities Storm Drain Cleaning Unit Lease Total
2006	\$ 53,004
2007	53,005
2008	53,004
Total minimum lease payments	159,013
Less: amount representing interest	(9,861)
Present value of net minimum lease payments	<u>149,152</u>

Year ending June 30,	Business-type Activities Fluoridation Equipment Lease
2006	\$ 46,671
2007	46,671
2008	46,671
2009	46,671
2010	46,671
2011-2015	163,346
Total minimum lease payments	396,701
Less: amount representing interest	(59,684)
Present value of net minimum lease payments	<u>\$ 337,017</u>

MIDVALE CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 11 INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

The composition of "interfund balances" as of June 30, 2005, is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 113,822	\$ -
Non major governmental funds	-	113,822
	<u>\$ 113,822</u>	<u>\$ 113,822</u>

The purpose of the interfund receivables/payables is to meet the City's ongoing need for cash. These accounts at the fund financial statement level have been eliminated at the government-wide financial statement (Statement of Net Assets).

Transfers were made which will not be repaid. Such amounts for the fiscal year ended June 30, 2005 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities		
General	\$ 180,000	\$ 2,163,978
Capital Projects	2,122,763	-
Business-type Activities		
Utility	44,015	47,105
Ambulance	-	185,300
Internal service	49,605	-
	<u>\$ 2,396,383</u>	<u>\$ 2,396,383</u>

The purpose of the interfund transfers is to meet the City's ongoing need for cash.

In addition to the operating transfers, the General Fund charged the following proprietary funds for administrative services:

Water	\$ 45,000
Storm Water	49,000
Sewer	20,100
Sanitation	29,400
Ambulance	311,300
Total	<u>\$ 454,800</u>

MIDVALE CITY CORPORATION NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 REDEVELOPMENT AGENCY

In accordance with Utah State law, the City makes the following disclosures relative to the Midvale City Redevelopment Agency (RDA): The RDA collected \$0 of tax increment monies for its project area. None of these funds were paid out to any taxing agency. The RDA has no outstanding bonds or other loans incurred to finance costs associated with its project area. The RDA expended \$75,820 for administrative costs, \$42,036 for legal services related to the development of sites in the RDA, and \$190 for site improvements. Fiscal Year 2005 is the first year the RDA has had a full time director.

NOTE 13 RETIREMENT PLANS

Plan Description

The City contributes to the Local Governmental Contributory Retirement System (Contributory System) and Local Governmental Noncontributory Retirement System (Noncontributory System), the Public Safety Retirement System (Public Safety System) for employers with Social Security coverage, and the Firefighters Retirement System (Firefighters System) which is for employers with Social Security coverage, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living adjustments, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended (Chapter 49), which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 South, Salt Lake City, UT 84102 or by calling (800) 365-8772.

Funding Policy

Plan members are required to contribute a percentage of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong; 6.00% to the Contributory, 12.29% to the Public Safety Contributory and 8.61% to the Firefighters Retirement Systems, respectively. The City is required to contribute a percentage of covered salary to the respective systems, 7.08% to the Contributory, 11.09% to the Noncontributory, 7.70% to the Public Safety Contributory and 19.08% to the Public Safety Noncontributory Systems, respectively. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The City's contributions to the Contributory System for the years ending June 30, 2005, 2004 and 2003 were \$4,756, \$4,078 and \$4,739, respectively. The salaries subject to retirement contributions for the same periods were \$36,360, \$35,126 and \$44,372, respectively. For the Noncontributory System the contributions for June 30, 2005, 2004 and 2003 were \$264,128, \$216,982, and \$183,872, respectively. The salaries subject to retirement contributions for the same periods were \$2,381,665, \$2,255,518 and \$2,115,903, respectively. The City's contribution to the Public Safety System for the years ending June 30, 2005, 2004 and 2003 were \$131,344, \$114,386 and \$104,215, respectively. The salaries subject to retirement contributions for the same periods were \$657,048, \$680,450 and \$720,705, respectively. For the Police Safety Noncontributory System the contributions for the years ended June 30, 2005, 2004 and 2003 were \$167,2332, \$127,006 and \$97,565, respectively. The salaries subject to retirement contributions for the same periods were \$876,477, \$782,047 and \$702,411, respectively. Contributions into the Firefighters System made by employees at June 30, 2005, 2004 and 2003 were \$0, \$0 and \$0, respectively. Contributions into the Firefighters System made by the City for the same periods were

MIDVALE CITY CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 13 RETIREMENT PLANS (Continued)

Funding Policy (Continued)

\$116,794, \$102,995 and \$92,194, respectively. The salaries subject to retirement contributions for these periods were \$1,356,485, \$1,254,498 and \$1,178,954, respectively. The contributions were equal to the required contributions for each year.

IRC Code Section 457 Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

NOTE 14 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters. The City participates in the Utah Local Government Insurance Trust (Trust), a public entity risk pool to manage its risk of loss. The City pays an annual premium to the trust for its general insurance coverage. The Trust was created to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of one million dollars for each insured event. As of June 30, 2005 there were no outstanding unpaid claims. Also, the City had no claim settlements during the three years ending June 30, 2005 which exceeded its insurance coverage.

NOTE 15 CONTINGENT LIABILITIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City is responsible for enforcement of the institutional controls required by the Environmental Protection Agency (EPA) to insure protection of the final remedy (clean-up) of the superfund sites located within the City.

NOTE 16 GRANTS

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the City's independent auditors and other governmental auditors. Any disallowed claims resulting from such an audit could become a liability of the General Fund or other applicable funds. Based on prior experience, the City administration believes such disallowance, if any, would be immaterial.

NOTE 17 SUBSEQUENT EVENTS

In August, 2005, South Valley Water Reclamation Facility, of which Midvale City is a member, issued sewer revenue bonds in the amount of \$19,425,000. The bonds are payable from and secured solely by a pledge and assignment of the revenues attributable to the imposition of the Debt Service Assessment on the Obligated Members. Midvale City is an obligated member and will provide 12% of the moneys necessary to pay debt service on the Series 2005 Bonds. Midvale's share of debt service payments through August 15, 2030 (maturation date) is \$4,233,558. Midvale's portion of debt service for Fiscal Year 2006 is \$63,105 for the interest payment due on February 15, 2006. The other obligated member is West Jordan, which will provide the additional 88% of the moneys necessary to pay the debt service.

SUPPLEMENTAL INFORMATION

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MIDVALE CITY CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – MAJOR CAPITAL PROJECTS FUND
For The Year Ended June 30, 2005

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:			
Investment income	\$ 23,000	\$ 26,167	\$ 3,167
Total Revenues	23,000	26,167	3,167
Expenditures:			
Capital outlay	2,449,349	972,011	1,477,338
Total Expenditures	2,449,349	972,011	1,477,338
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,426,349)	(945,844)	1,480,505
Other Financing Sources (Uses):			
Transfers in	2,426,349	2,122,763	(303,586)
Total Other Financing Sources (Uses)	2,426,349	2,122,763	(303,586)
Net Change in Fund Balances	-	1,176,919	1,176,919
Fund Balances - Beginning	296,141	296,141	-
Fund Balances - Ending	<u>\$ 296,141</u>	<u>\$ 1,473,060</u>	<u>\$ 1,176,919</u>

MIDVALE CITY CORPORATION
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

	Special Revenue		Capital Projects		Permanent		Total
	Redevelopment Agency	Municipal Building Authority	CDBG	Cemetery Perpetual Care	Nonmajor Governmental Funds		
Assets:							
Cash and investments	\$ 101,861	\$ -	\$ -	\$ 55,384	\$ -	\$ -	157,245
Receivables:							
Intergovernmental	-	-	117,340	-	-	-	117,340
Loans receivable	44,190	-	-	-	-	-	44,190
Prepays	69	-	-	-	-	-	69
Land held for resale	180,130	-	-	-	-	-	180,130
Total Assets	\$ 326,250	\$ -	\$ 117,340	\$ 55,384	\$ -	\$ -	498,974
Liabilities and Fund Balance:							
Liabilities:							
Accounts payable	\$ 3,047	\$ -	\$ 2,467	\$ -	\$ -	\$ -	5,514
Accrued liabilities	3,148	-	-	-	-	-	3,148
Due to other funds	-	-	113,822	-	-	-	113,822
Unearned revenue:							
Loans receivable	44,190	-	-	-	-	-	44,190
Total Liabilities	\$ 50,385	\$ -	\$ 116,289	\$ -	\$ -	\$ -	166,674
Fund Balances:							
Reserved for:							
Cemetery perpetual care	-	-	-	55,384	-	-	55,384
Unreserved, reported in:							
Special revenue funds	275,865	-	-	-	-	-	275,865
Capital project funds	-	-	1,051	-	-	-	1,051
Total Fund Balances	275,865	-	1,051	55,384	-	-	332,300
Total Liabilities and Fund Balances	\$ 326,250	\$ -	\$ 117,340	\$ 55,384	\$ -	\$ -	498,974

MIDVALE CITY CORPORATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	Special Revenue		Capital Projects		Permanent	Total
	Redevelopment Agency	Municipal Building Authority	CDBG	Cemetery Perpetual Care		Nonmajor Governmental Funds
Revenues:						
Leases	\$ -	\$ 42,300	\$ -	\$ -	\$ -	42,300
Intergovernmental	-	-	600,994	-	-	600,994
Investment earnings	7,817	-	-	1,538	-	9,355
Miscellaneous	6,526	-	-	-	-	6,526
Total Revenues	14,343	42,300	600,994	1,538		659,175
Expenditures:						
Redevelopment	121,222	-	-	-	-	121,222
Community and Economic Development	-	-	600,918	-	-	600,918
Debt service:						
Principal	-	31,243	-	-	-	31,243
Interest	-	11,057	-	-	-	11,057
Total Expenditures	121,222	42,300	600,918	-		764,440
Excess (Deficiency) of Revenues Over (Under) Expenditures	(106,879)	-	76	1,538		(105,265)
Net Change in Fund Balance	(106,879)	-	76	1,538		(105,265)
Fund Balances - Beginning	382,744	-	975	53,846		437,565
Fund Balances - Ending	\$ 275,865	\$ -	\$ 1,051	\$ 55,384	\$ -	\$ 332,300

MIDVALE CITY CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – NONMAJOR SPECIAL REVENUE FUNDS
For The Year Ended June 30, 2005

	Special Revenue					
	Redevelopment Agency			Municipal Building Authority		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues:						
Leases	\$ -	\$ -	\$ -	\$ 42,300	\$ 42,300	\$ -
Intergovernmental	-	-	-	-	-	-
Investment earnings	4,000	7,817	3,817			
Miscellaneous	129,200	6,526	(122,674)			
Total Revenues	133,200	14,343	(118,857)	42,300	42,300	-
Expenditures:						
Redevelopment	133,200	121,222	11,978			
Municipal Building Authority:						
Debt service:						
Principal	-	-	-	31,243	31,243	-
Interest	-	-	-	11,057	11,057	-
Total Expenditures	133,200	121,222	11,978	42,300	42,300	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(106,879)	(106,879)	-	-	-
Net Changes in Fund Balances	-	(106,879)	(106,879)	-	-	-
Fund Balance - Beginning	382,744	382,744	-	-	-	-
Fund Balance - Ending	\$ 382,744	\$ 275,865	\$ (106,879)	\$ -	\$ -	\$ -

MIDVALE CITY CORPORATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES – BUDGET AND ACTUAL – NONMAJOR CAPITAL PROJECTS FUND
For The Year Ended June 30, 2005

	Capital Projects		
	CDBG		
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental	\$ 1,133,173	\$ 600,994	\$ (532,179)
Total Revenues	1,133,173	600,994	(532,179)
Expenditures:			
Community Development			
Block Grant	1,133,173	600,918	532,255
Total Expenditures	1,133,173	600,918	532,255
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	76	76
Fund Balances - Beginning	975	975	-
Fund Balances - Ending	\$ 975	\$ 1,051	\$ 76

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Jensen & Keddington, P.C.

Certified Public Accountants

Jeffrey B. Jensen, CPA
Gary K. Keddington, CPA
Brent E. Christensen, CPA
Jeffrey B. Hill, CPA

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and
Members of the City Council
Midvale City Corporation
Midvale, Utah

We have audited financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Midvale City Corporation as of and for the year ended June 30, 2005, which collectively comprise the Midvale City Corporation's basic financial statements and have issued our report thereon dated August 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Midvale City Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted a certain immaterial instance of noncompliance that we have reported to the management of Midvale City Corporation in the accompanying *Schedule of Finding and Questioned Costs*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Midvale City Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Mayor, City Council and management of Midvale City Corporation, the Utah State Auditor's Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Jensen & Keddington

August 23, 2005



Jensen & Keddington, P.C.

Certified Public Accountants

Jeffrey B. Jensen, CPA
Gary K. Keddington, CPA
Brent E. Christensen, CPA
Jeffrey B. Hill, CPA

**REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and
Members of the City Council
Midvale City Corporation
Midvale, Utah

Compliance

We have audited the compliance of Midvale City Corporation with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to the major federal program for the year ended June 30, 2005. Midvale City Corporation's major federal program is identified in the summary of auditor's results section in the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major federal program is the responsibility of Midvale City Corporation's management. Our responsibility is to express an opinion on Midvale City Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Midvale City Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Midvale City Corporation's compliance with those requirements.

In our opinion, Midvale City Corporation complied, in all material respects, with the requirements referred to above that are applicable the major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Midvale City Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Midvale City Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a condition in which the design or operation of one or more of the internal components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be a material weakness.

This report is intended solely for the information and use of the Mayor, City Council and management of Midvale City Corporation, the Utah State Auditor's Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Jensen & Keddington

August 23, 2005

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MIDVALE CITY CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2005

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Disbursements Expenditures</u>
<u>U.S. Department of Justice</u>			
Direct Program:			
Law Enforcement Block Grant	16.592	2003-LBBX-0162	\$ 7,500
Pass Through State:			
Title V	16.548	2P.07	11,625
Victims of Violent Crime	16.575	03-VOCA 26	72,243
Peer Court	16.727	022621	9,000
Total U.S. Department of Justice			<u>100,368</u>
<u>Environmental Protection Agency</u>			
Direct Program:			
Superfund State Site Specific Cooperation	66.802	V998436-01-0	<u>106,292</u>
Total Environmental Protection Agency			<u>106,292</u>
<u>U.S. Department of Transportation</u>			
Pass Through State:			
State and Community Highway Safety	20.600	n/a	<u>3,489</u>
Total U.S. Department of Transportation			<u>3,489</u>
<u>U.S. Department of Health and Human Services</u>			
Pass Through State:			
Family Support	93.669	040747	<u>30,284</u>
Total U.S. Department of Health and Human Services			<u>30,284</u>
<u>U.S. Department of Housing and Urban Development</u>			
Pass Through Salt Lake County:			
Community Development Block Grant	14.218	BV2853C	<u>604,138</u>
Total U.S. Department of Housing and Urban Development			<u>604,138</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

MIDVALE CITY CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
For The Year Ended June 30, 2005

U.S. Department of Homeland Security

Direct Program:

FEMA - Emergency Management Performance	97.042	n/a	\$	1,750
FEMA - Community Emergency Response Team	97.053	SUPL-2002-CERT14		2,661
Assistance to Firefighters	97.044	n/a		54,615
FEMA - SLA	97.067	Homeland Security		5,625

Pass Through State:

State Domestic Preparedness Equipment

Support program-'03	97.004	Homeland Security		7,072
Support Program-'04	97.004	Homeland Security		154,213
Support Program-'05	97.067	Homeland Security		12,082
Infrastructure Protection Grant	16.007	Homeland Security		14,335

Total U.S. Department of Homeland Security				<u>252,353</u>
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Total Federal Financial Assistance			\$	<u><u>1,096,924</u></u>
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MIDVALE CITY CORPORATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. *General* - the *Schedule of Expenditures of Federal Awards* presents the activity of all federal awards of Midvale City Corporation. Federal awards received directly from federal agencies as well as federal awards passed-through other governmental agencies are included on the *Schedule of Expenditures of Federal Awards*.
2. *Basis of Accounting* - The *Schedule of Expenditures of Federal Awards* is presented using the modified accrual basis of accounting.



Jensen & Keddington, P.C.

Certified Public Accountants

Jeffrey B. Jensen, CPA
Gary K. Keddington, CPA
Brent E. Christensen, CPA
Jeffrey B. Hill, CPA**AUDITOR'S REPORT ON STATE OF UTAH
LEGAL COMPLIANCE**Honorable Mayor and
Members of City Council
Midvale City Corporation
Midvale, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Midvale City Corporation, for the year ended June 30, 2005, and have issued our report thereon dated August 23, 2005. As part of our audit, we have audited Midvale City Corporation's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance program from the State of Utah:

B&C Road Funds (Department of Transportation)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation and Property Tax Limitations
Liquor Law Enforcement
Justice Courts
B & C Road Funds
Other General Compliance Issues
Uniform Building Code Standards

The management of Midvale City Corporation is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the *Schedule of Findings and Questioned Costs*. We considered these instances of noncompliance in forming our opinion, which is expressed in the following paragraph.

In our opinion, Midvale City Corporation complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Janson & Keddington

August 23, 2005

**MIDVALE CITY CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Midvale City Corporation.
2. There were no reportable conditions disclosed during the audit of the basic financial statements that are reported in this schedule.
3. No instances of noncompliance material to the basic financial statements of Midvale City Corporation, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No reportable conditions relating to the audit of internal control over the major federal award program are reported in this schedule.
5. The auditor's report on compliance for the major federal award program for Midvale City Corporation expressed an unqualified opinion.
6. There are no audit findings relative to the major federal award program.
7. The program tested as a major program was the HUD Community Development Block Grant, CFDA# 14.218.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Midvale City Corporation does qualify as a low-risk auditee.

B. FINDINGS – FINANCIAL AUDIT AND GOVERNMENT AUDIT STANDARDS

None

C. FINDINGS – MAJOR FEDERAL AWARDS PROGRAM

None

D. FINDINGS – STATE OF UTAH LEGAL COMPLIANCE

None

MIDVALE CITY CORPORATION
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

2004 #1. JUSTICE COURT COMPLIANCE

Finding

The Justice Court is required to remit all funds due to the State on or before the tenth day of the month following the month of collection. During August 2003, September 2003, November 2003, January 2004, February 2004 and March 2004 the city did not file and pay the funds until after the required due date. This is a violation of Utah Code Section 51-4-2(4)(a).

Recommendation

We recommend that the City remit all funds that are due to the State within the time allowed by Utah State Code.

Current status

The City has resolved this issue, the Justice Court remitted all funds due to the State on or before the tenth day of each month.

2004 #2. JUSTICE COURT COMPLIANCE

Finding

The Justice Court is required to obtain and retain documentation to support a dismissal, suspension, or credit granted by the Court. In one out of 25 cases tested, proper documentation was not available to support the dismissal. An appropriate reason or explanation for the dismissal was also not provided.

Recommendation

We recommend that the City obtain and retain supporting documentation to support the dismissal granted pursuant to judicial order and Utah State Code.

Current status

The City has resolved this issue, the Justice Court appears to be retaining documentation to support dismissals, suspensions, and credit granted by the Court.